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Contra Airlift Got Iran Funds, Secord Testifies

Ex-General Puts Diversion At \$3.5 Million; He Cites Roles of North and Casey

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WASHINGTON — Retired Air Force Maj. Gen. Richard Secord testified that an estimated \$3.5 million from the profits of U.S. arms sales to Iran was diverted to fund a covert airlift of arms to Nicaraguan insurgents.

Appearing on the opening day of joint House and Senate hearings into the Iran-Contra affair, Gen. Secord said he established the airlift at the urging of Marine Lt. Col. Oliver North, the fired National Security Council aide. Gen. Secord also described three meetings, in late 1985 and in 1986, at which he discussed the operation with William Casey, then director of the Central Intelligence Agency.

Gen. Secord's testimony represents the most complete account yet of the private arms network and the disposal of funds from U.S. weapon sales to Iran. The \$3.5 million traced to the airlift, though far less than once estimated, confirms that a portion of the Iran arms-sale profits were diverted to assist the Contras at a time when Congress had prohibited U.S. military aid to the Contras.

Citing Swiss bank records recently turned over to the congressional committees, Gen. Secord estimated that approximately \$18 million was left over from the weapons sales to Iran after the U.S. had been compensated for the cost of the arms. He said an estimated \$3 million went to pay for expenses, including the costs of transporting the arms, but the largest share—\$8 million—remains in various foreign accounts linked to Gen. Secord's business partner, Albert Hakim.

Separate Initiatives Described

Apart from the \$3.5 million diverted to the airlift in 1986, an estimated \$1 million was used for separate initiatives, including the purchase of a Danish freighter and cash payments to cover the expenses of U.S. drug agents used in one of Col. North's attempts to win the release of American hostages in Lebanon.

Dressed in a conservative blue suit, Gen. Secord was restrained throughout his testimony. What emotion he showed came in an opening statement defending his conduct and that of the people who worked with him.

"I understood that this administration knew of my conduct and approved it," he

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said. He asserted that he hadn't profited from the airlift and that he never collected "several hundred thousand" dollars in commissions earned on earlier arms sales to the Contras.

Gen. Secord saved his most bitter words for Attorney General Edwin Meese, who first disclosed the diversion of funds last November. "The attorney general of the United States prematurely went public with his grossly inaccurate disclosures about our operations," he said. "We were betrayed, abandoned and left to defend ourselves."

Genesis of Airlift Operation

A 28-year Air Force veteran, Gen. Secord was the lead figure in a network of former military officers and CIA agents who assisted the administration privately in both the arms sales to Iran and efforts to provide covert aid to Nicaraguan guerrillas. He testified yesterday that he met with Col. North soon after Congress cut off military aid to the Contras in 1984. He said that through Col. North he met that summer and fall in Washington with Adolfo Calero, the head of the dominant Contra group, which is known as the Nicaraguan Democratic Force, or FDN.

Gen. Secord said he subsequently arranged four arms sales to the insurgents. He said that in the summer of 1985, he participated in an all-night meeting in Miami with Col. North and FDN leaders, which was the genesis of the airlift operation. He said the airlift eventually used five aircraft, and that the initial funding was believed to have come from private donations directed by Col. North to a Swiss account controlled by Mr. Hakim.

An estimated \$2.2 million was provided through private donations prior to February 1986, when the U.S. began direct weapons sales to Iran. In the following months, nearly \$1.7 million more was raised through donations, Gen. Secord said, but the larger source of funds became the profits diverted from the weapon sales.

Altogether, Mr. Hakim controlled eight Swiss accounts, but the major conduit for the Iran-Contra operation was one held in the name of a Panamanian registered corporation, Lake Resources. Established in 1985, the company was the successor to Energy Resources, a firm used by Gen. Secord and Mr. Hakim in earlier arms sales to the guerrillas, the general testified.

Energy Resources has been previously identified as receiving an estimated \$9 million from the FDN for weapons. Mr. Secord testified that the mark-up on these sales was as much as 20%, but he said that he decided in the summer of 1985 to "for-swear" his share of those profits for fear that accepting the money would prevent him from returning some day to a position in government.

While Mr. Hakim appears to have been Gen. Secord's principal financial partner, the retired general portrayed a former CIA operative, Rafael Quintero, as playing a larger role in the Iran-Contra affair than previously disclosed. Gen. Secord said Mr. Quintero, a Bay of Pigs veteran, was present at a 1984 meeting in Washington with Mr. Calero regarding arms sales to the

... was paid a monthly salary and bonuses to facilitate the transfer of weapons to the Contras when they arrived in Central America, the general said.

Gen. Secord said that a mutual friend of his and Mr. Quintero—former CIA official Thomas Clines—played a part in arranging arms shipments to the Contras from Europe.

Documents released by the committee indicate that American pilots accounted for the bulk of the crews used in the airlift, but they also show that KMS Ltd., a British security company with ties to the Thatcher government, provided some personnel for the covert operation. They indicate that the operation paid \$110,000 in April 1986 to a "D. Walker." A principal in the British company is named David Walker. Gen. Secord told the committee that he hired a crew of two British pilots and a loader for the airlift.

While confirming that Mr. Casey knew about the Contra resupply operation and supported it, Gen. Secord didn't portray the former CIA director as the mastermind some thought he was. Gen. Secord said that at their first meeting, in late 1985, he asked Mr. Casey for intelligence assistance, but he said the former director didn't promise any help.

The general said that at a meeting with Mr. Casey in February 1986 he complained that he wasn't getting intelligence guidance and support from the CIA task force assigned to oversee Central America, but rather that the group seemed to be investigating his operation.

At a final meeting the following May, Gen. Secord said, he told Mr. Casey that the airlift operation could use about \$10 million. After some discussion, he said, Mr. Casey suggested Secretary of State George Shultz could approach a third country for the money. The State Department has confirmed that at the request of a senior State Department official, the Sultan of Brunei, an oil-rich country in Southeast Asia, contributed \$10 million to the Contra cause.

Investigators for the committees haven't been able to determine what happened to those funds, according to congressional sources.

The private airlift operation accumulated assets totaling more than \$4 million, according to a memo prepared by one of Gen. Secord's associates. The general said it was his understanding that the CIA was slated to take over the network once the ban on U.S. military aid was lifted. Congress reinstated aid for the Contras last fall.

"We always viewed these as bridging operations," Gen. Secord said of the private airlift. But many members of the committees portrayed the private network and the diversion of funds as part of a larger effort to circumvent Congress. "The president may be the senior partner in foreign policy, but he is not the sole proprietor," said Sen. Daniel Inouye (D., Hawaii), the Senate chairman.

Democrats and Republicans alike repeatedly invoked this theme and Congress's constitutional role. "We do not seek radical change," said Rep. Lee Hamilton (D., Ind.), the House chairman. "We seek to restore established and constitutional ways of doing the nation's business."